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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 000285

SIPDIS

E.O. 12958: DECL: 01/13/2014

TAGS: [KWBG](#) [ECON](#) [PREL](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [GOI](#) [INTERNAL](#) [ECONOMY](#) [AND](#) [FINANCE](#)

SUBJECT: NSC'S GABI BLUM ON WORLD BANK PROCESS, PERES,
POSSIBILITIES FOR A COORDINATED DISENGAGEMENT

Classified By: Economic counselor Bill Weinstein for reasons 1.4 (b) and (d)

1. (C) Summary: NSC strategic advisor Dr. Gabi Blum met with EconCouns January 13 to discuss movement on the World Bank process, Shimon Peres' projected role in disengagement planning, and potential GOI dialogue with the PA on settlement assets and other economic aspects of withdrawal. On the World Bank process, Blum argued that the GOI-approved plan to install two new container scanners at Karni will solve the problem of delays at the terminal, rendering moot the bank's proposal for a pilot program there. She also indicated that the GOI is considering, but has not committed to, an alternative to the back-to-back shipping arrangement. Finally, she reiterated that the bank's language on "monitoring and benchmarks" is politically charged and unfair to Israel, but the GOI accepts such a process in principle. On Peres' new role, Blum confirmed that he will be responsible for Negev and Galilee development as well as economic aspects of disengagement, but that "political instability" will keep him from opening any new offices to carry out these functions.

2. (C) Summary continued: On the potential for more direct coordination with the Palestinians on disengagement, Blum said the GOI has made no strategic decision on this but that officials continue to state coordination is preferable to unilateral action on many aspects. For instance, she said, GOI officials at the request of the PA are drafting an inventory of settlement assets to be used as the basis for future discussion. EconCouns emphasized the need for direct GOI-PA dialogue on agribusiness, and urged the GOI to facilitate the movement of Palestinians stuck on the Egypt side of Rafah crossing. End Summary.

GOI Has Own Plan For Fixing Karni

3. (C) NSC strategic advisor Dr. Gabi Blum told EconCouns January 13 that the World Bank's proposed pilot programs at Karni and Jalame will "take too long" to plan and implement. The GOI will solve "95 percent" of the problem of delays at Karni terminal, she argued, by installing two new container scanners that will check full as well as empty containers leaving the Gaza Strip. The GOI has reached an agreement with PM Finance Minister Salaam Fayad that the PA's MinFin will contribute USD 4.5 million and the GOI that same amount to finance the scanners. The GOI's MinFin will determine who to charge for the GOI contribution, she said -- most likely the Ministry of Defense. Blum added that she was not aware of a GOI request to Congress for U.S. dollars to finance the scanner or improvements at the crossings overall.

4. (C) The Karni scanners will not be ready for installation for another 18 months, Blum said, while technological improvements at Erez crossing in northern Gaza and Jalame and Shaar Ephraim crossings in the West Bank may be complete before withdrawal. Other aspects of the GOI's proposed crossings improvements, including construction of a Gaza-West Bank rail link, are underway. In addition, she said, the GOI is considering replacing back-to-back shipping with "horse-and-cart" -- a free-circulating trailer system -- at the crossings. The GOI has made no commitment to the bank on this, however. (Note: Palestinian militants bombed Karni on Thursday, January 13, killing six Israeli civilian staff and severely damaging the terminal. IDF sources stated that the terminal will be closed for weeks and possibly months as infrastructure is repaired. End note.)

GOI Will Accept "Progress Report" Instead of "Monitoring"

5. (C) Bloom reiterated the GOI position that the World Bank's language on "monitoring and benchmarks" is politically charged and inappropriate, and unfairly requires Israel to take "dozens" of specific steps on crossings and closures while the PA is held to a vague directive to "improve" security. In meetings with GOI officials Nigel Roberts claimed monitoring will be focused more on the PA than on Israel, she said, but added that she was skeptical of this. She emphasized, however, that the GOI supports the donor community's need to ensure its money is not misspent, and

"does not object" to the World Bank process overall. In conversations before the visit of Bank president Paul Wolfenson, she said, Roberts seemed willing to substitute words like "progress report" and "steps" for monitoring and benchmarks, a move she thought could quiet GOI objections.

Peres Won't Create New Bureaucracy

16. (C) As new Deputy PM, Blum said, Shimon Peres will be in charge of Negev and Galilee development as well as the economic aspects of disengagement. Because the political situation is unstable, however, Peres will not set up new GOI offices to deal with these issues, but will use his own staff and influence. One of his proposals for economic development in post-disengagement Gaza is a program whereby EU countries "adopt" industrial zones, maintaining their infrastructure and giving incentives to European investors. Blum noted that such a program would require close GOI coordination with Palestinian as well as European actors.

Who To Talk To, and When, on Disengagement?

17. (C) The GOI has not made any strategic decision to coordinate disengagement with Abu Mazen and the new PA leadership, Blum said, but GOI officials continue to state that coordination on some aspects of withdrawal would be better in principal than unilateral Israeli action. The GOI will have to work with the World Bank on certain issues and the PA on others, she added. She gave the example that the PA had "convinced" the GOI that Gazans do not have a clear idea of what settlements contain -- in response, Israeli officials are drawing up a detailed inventory that will serve as the basis for future discussions. The GOI is also considering working with third parties like the U.S.-based East/West Institute, who offered to serve as a middleman through which settlers can more comfortably sell agribusiness assets to Palestinians.

18. (C) Overall, Blum said, the past several weeks have seen increased GOI-PA dialogue at the working level, but PM Sharon has yet to make clear to the ministries under what criteria more robust and open engagement could take place. (Note: Following the Karni bombing, Dov Weissglas reportedly told PA Minister of Negotiations Affairs Saeb Erekat that the GOI will suspend contact with the PA. End note.)

The Rafah Closure

19. (C) EconCouns encouraged the GOI to consider ad-hoc solutions to the ongoing humanitarian situation at the Rafah crossing, which has been closed since Palestinian militants bombed the terminal December 12. He pointed out that Israel showed its ability to facilitate the exit of large numbers of Palestinian hajjis from the Gaza Strip in late December and early January. Blum responded that after Rafah was bombed, it became exceptionally difficult to retain civilian staff at the terminal or recruit new employees, making it more difficult to reopen the crossing. She pointed out that even Egypt, who vociferously objected the last time the GOI closed the crossing, has been "remarkably silent" this time since it understands that militants "brought this on."

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